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ABSTRACT

This brief uses data from the 1997 National Survey of America's Families to count the number of people living in low-income working families and to describe their personal characteristics and jobs. It examines: what low-income working families are; who the family members are; and how much low-income workers work and at what jobs. One in six nonelderly Americans lives in a working low-income family (having income below twice the federal poverty level and all adults working at least half-time). Almost two-thirds of low-income families include children and two adults. The major differences between incomes of working low-income families and higher-income families are substantially lower hourly earnings plus fewer secondary workers and lower work effort among secondary workers. If all prime-age adults worked full-time, full-year, about one-fifth of working low-income families would become higher-income families, and more than one-third of other low-income families would become working low-income families. Even if policies promoting work successfully increase work effort, many people will still live in working low-income families. Lifting working families above the poverty level requires better wages and work supports. (SM)

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One in six nonelderly Americans lives in families in which the adults work at least half-time but whose incomes fall below twice the federal poverty level.

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This brief is based on results from Gregory Acs, Katherin Ross Phillips, and Daniel McKenzie. 2000. "Playing by the Rules but Losing the Game: America's Working Poor." Paper presented at Jobs for the Future Conference on "Low-Wage Workers in the New Economy: Strategies for Opportunity and Advancement," Washington, D.C., May.

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On the Bottom Rung: A Profile of Americans in Low-Income Working Families

Gregory Acs, Katherin Ross Phillips, and Daniel McKenzie

As welfare reform, helped by a prolonged economic expansion, moves millions of people off the welfare rolls into low-paying jobs, the policy world is considering the challenges facing low-income working families. These are the people who work hard and play by the rules, but still must struggle to make ends meet. Although many of them are not literally poor as measured by the official poverty line, they are near enough to the economic edge that an illness, a job layoff, or even a major car repair can have severe consequences for their well-being.

This brief uses data from the 1997 National Survey of America's Families[1] (NSAF) to count the number of people who live in low-income working families and to describe their personal characteristics and the jobs they hold. We find that one in six nonelderly Americans lives in families in which the adults work, on average, at least half-time but whose incomes fall below twice, or 200 percent of, the federal poverty level (FPL)—our threshold for a low-income family.[2] Two-thirds of these Americans are part of families with children and with two or more adults present. The primary earner in these families typically works full-time, year-round. While the work effort of the primary earner in these families matches that of higher-income families, other adults in these families work less. However, even if all able-bodied, prime-age adults in these families worked full-time, simulation results suggest that only about 20 percent would work their family's way off the bottom rung of the economic ladder.[3] The relatively low wages of this group make it difficult for them to rise above 200 percent of the FPL.

What Is a Low-Income Working Family?

A working family on the bottom rung of the economic ladder is a family in which the adults work outside the home on a substantial and regular basis, but whose income is so low that it is difficult for them to sustain what Americans generally consider a minimally adequate standard of living. How can this essentially qualitative description be defined precisely enough to capture the number of persons in low-income working families, their characteristics, and the types and quality of jobs they hold? This brief is based on research that tackles the problem of definition along two dimensions, embodying two specific notions:

- Low-income workers have a substantial commitment to the labor force. (Working families are defined as those in which the adults work at least 1,000 hours a year, on average—roughly half-time work.)[4]
- Low-income families struggle to meet all their expenses. (This study puts the family income cutoff at 200 percent of the FPL.) (Wigton and D'Orio 1999.)

For a single parent with one child, the 1999 official poverty threshold is $11,483. The low-income income cutoff for such a fami-

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Only about 10 percent of heads of working low-income families are college graduates, compared with 36 percent of higher-income family heads.

ly, therefore, is $22,966. Out of this income, the family must pay for basic necessities (i.e., food, shelter, clothing) plus the costs of working outside the home (e.g., transportation and child care). Nationally, persons in families with incomes below 200 percent of the FPL are three times more likely to report problems paying their mortgage, rent, or utility bills than higher-income families.[5] The share of children living in families that worried about or experienced difficulty affording food is more than three times higher among those living in low-income families than among those in families with incomes above 200 percent of the FPL (McKenzie and Bell 1999). In addition, recent estimates of the income a single mother with one child living in Washington, D.C., needs to meet her expenses (about $34,000 a year) far exceed 200 percent of the FPL.[6]

The average income of working low-income families for the United States as a whole is 139 percent of the FPL ($15,600 for a single parent with one child). These families are best off in Minnesota, at 149 percent of the poverty level, and worst off in California, at 124 percent of the poverty level. Working families with incomes below the official poverty level have average incomes of only 76 percent of the poverty level, with little variation by state.

Table 1 shows that nationally about a third (32.2 percent) of all nonelderly persons live in low-income families. Of these, slightly more than half live in working families, amounting to 16.7 percent of the U.S. population. The share of the population living in working low-income families varies widely across states, from a low of 9.1 percent in Massachusetts to a high of nearly 23 percent in Mississippi. The share of the population living in low-income families varies almost as much, from a low of 21.7 percent in New Jersey to a high of 45.8 percent in Mississippi.

The relative size of the low-income population in a state bears little relation to the proportion that is working low-income. For example, while a far greater share of persons live in low-income families in California than in New Jersey (38.6 versus

TABLE 1 Persons Living in Working Low-Income Families in Relation to Total Population and Low-Income Population, by State, 1996

	Working Low-Income Population[a] (% of all nonelderly persons)	Low-Income Population[b] (% of all nonelderly persons)	Working Low-Income Population as a Percentage of Low-Income Population
U.S. Total	16.7	32.2	52.0
Alabama	19.3	38.8	49.7
California	18.0	38.6	46.6
Colorado	15.9	27.4	57.8
Florida	20.1	36.8	54.6
Massachusetts	9.1	22.0	41.5
Michigan	13.3	25.5	52.2
Minnesota	13.5	22.6	59.6
Mississippi	22.7	45.8	49.5
New Jersey	10.0	21.7	46.1
New York	13.3	32.8	40.7
Texas	21.5	39.6	54.4
Washington	14.7	28.4	51.9
Wisconsin	14.3	21.9	65.3

Source: Urban Institute tabulations from the 1997 National Survey of America's Families.
a. Families with incomes below 200 percent of the official poverty level in which the average annual hours worked per adult is at least 1,000.
b. All families with incomes below 200 percent of the official poverty level.

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21.7 percent), California and New Jersey have similar proportions of their low-income populations living in working low-income families (46.6 and 46.1 percent, respectively).

Who Are the Members of Working Low-Income Families?

The characteristics of persons in working low-income families tend to fall between those in other (nonworking) low-income families and those in higher-income working families. Along several dimensions, this means that working low-income families have substantial job-market disadvantages compared with their higher-income counterparts. These dimensions include age of family head, educational attainment of family head, number of children, the presence of a work-limiting health condition for the family head, and race.

The characteristics of the heads of working low-income families are compared with those of other families in table 2. Married men who are younger than heads of other family types are typically the heads of working low-income families. Two-thirds of the heads of working low-income families are men, for example, compared with fewer than half the heads of other low-income families and almost three-quarters of the heads of higher-income families. They are two years younger on average than the heads of other low-income families (35.5 years versus 37.7 years) and five years younger than the heads of higher-income families. More than two-thirds of persons in working low-income families live in married-couple families, compared with fewer than half of

The median hourly wage for those in working low-income families is $7.55, about half that for higher-income working families.

TABLE 2 *Comparison of Personal Characteristics of Family Head in Working Low-Income, Other Low-Income, and Higher-Income Families, 1996*

	Low-Income Families[a]		
	Working[b]	Other	Higher-Income Families[c]
Age (years)	35.5	37.7	40.6
Marital status (percent)			
Married	68.9	45.2	83.0
Widowed/divorced/separated	17.3	25.6	8.9
Never married	13.9	29.2	8.1
Male (percent)	63.0	43.0	73.4
Education (percent)			
Less than high school	22.4	35.2	4.3
HS grad or GED	45.7	39.3	35.0
Some college	21.5	17.9	24.7
College graduate	10.4	7.6	36.0
Has work-limiting condition (percent)	11.6	27.6	7.1
Race (percent)			
Black, non-Hispanic	18.0	26.5	9.4
Hispanic	11.6	10.7	3.9
White, non-Hispanic	66.0	56.2	82.5
Other	4.5	6.6	4.2

Source: Urban Institute tabulations from the 1997 National Survey of America's Families.
Note: Family head is the highest-earning adult, except in families with no earner for which the head is the adult with the most education.
a. All families with incomes below 200 percent of the official poverty level.
b. All families with incomes below 200 percent of the official poverty level in which the average annual hours worked per adult is at least 1,000.
c. All families with incomes at 200 percent of the official poverty level or above.

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other low-income families and over three-quarters for persons in higher-income families.

In terms of education, the heads of working families are in a slightly better position than their counterparts in other low-income families but much worse off than the heads of higher-income families. More than 22 percent of the heads of working low-income families have less than a high school education, for example, compared with fewer than 5 percent of higher-income family heads. Only about 10 percent of working low-income family heads are college graduates, compared with 36 percent of higher-income family heads.

With respect to work-limiting health conditions, the heads of working low-income families are less likely to be affected than other low-income family heads (11.6 versus 27.6 percent) but more likely to be so than the heads of higher-income families (at 7.1 percent). On the race/ethnicity dimension, fewer heads of working low-income families than of other low-income families are black (18.0 versus 26.5 percent), but very similar percentages are Hispanic (11.6 versus 10.7 percent). Heads of working low-income families are somewhat more likely to be white than the heads of other low-income families, but considerably less likely to be white than their higher-income counterparts (66.0 versus 82.5 percent).

Persons in working low-income families are more likely to live in families with children, and more likely to have more children, than either persons in other low-income families or persons in higher-income families (table 3). For example, more than four-fifths of them (82.1 percent) live in families with children, compared with about two-thirds for the other two groups. About 80 percent of those living in families with children have more than one child, compared with about 75 percent for persons in other low-income families and about 65 percent for those in higher-income families.

A lower proportion of working low-income families has health insurance through an employer—54 percent versus 85 to 89 percent for higher-income families.

How Much Do Low-Income Workers Work and at What Jobs?

The primary earners in working low-income families work full-time, full-year on average, but for much lower hourly wages than their higher-income counterparts. The jobs they hold also tend to be less stable and to provide fewer benefits.

The job characteristics of primary earners in working low-income families are compared with those of primary earners in

TABLE 3 *Family Composition of Persons in Working Low-Income, Other Low-Income, and Higher-Income Families, 1996*

	Low-Income Families[a]		
	Working[b]	Other	Higher-Income Families[c]
Any children (percent)	82.1	64.9	61.7
Number (percent)			
1	20.2	25.2	35.5
2	36.5	31.6	41.6
3+	43.3	43.2	22.9
Number of children per worker[d]	1.6	1.5	0.7
Three or more adults (percent)	9.6	26.7	19.0

Source: Urban Institute tabulations from the 1997 National Survey of America's Families.
a. All families with incomes at 200 percent of the official poverty level or above.
b. All families with incomes below 200 percent of the official poverty level in which the average annual hours worked per adult is at least 1,000.
c. All families with incomes at 200 percent of the official poverty level or above.
d. Any families with children.

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TABLE 4 Comparison of Job Characteristics of Adults in Working Families, 1996

	All Working Families[a]		One-Adult Working Families with Children[a]	
	Low-Income[b]	Higher-Income[c]	Low-Income[b]	Higher-Income[c]
Primary earner				
Wage rate ($ per hour)[d]	$7.55	$16.67	$6.73	$14.42
Hours worked per year[d]	2,080	2,184	2,058	2,080
Weeks worked per year[d]	52	52	52	52
Has more than one job (percent)	8.0	11.5	8.3	13.7
Works mainly between 6 am and 6 pm (percent)	74.7	83.0	75.6	86.3
Time at current employer (percent)				
< One year	30.8	13.7	34.5	14.7
One year or more	69.2	86.3	65.5	85.3
Other earners in family[e]				
Among all other adults (percent)	61.4	85.7	—	—
Hours worked per year[d]	1,300	1,924	—	—
Weeks worked per year[d]	43	52	—	—
Total family				
Hours worked per year[d]	2,600	3,873	2,080	2,080
Weeks worked per year[d]	52	98	52	52
Hours worked per adult[d]	1,508	1,820	2,080	2,080
Has health insurance through employer (percent)	54.3	88.6	54.3	85.6

Source: Urban Institute tabulations from the 1997 National Survey of America's Families.
a. Families in which the average annual hours worked per adult is at least 1,000.
b. Families with income below 200 percent of the official poverty level.
c. Families with income at or above 200 percent of the official poverty level.
d. Median.
e. Calculated only for families with two or more adults.

higher-income working families in table 4. The first two columns show the comparison for all family types; the third and fourth columns for one-adult families with children.

Look first at the job characteristics of the primary earners. The median hourly wage for those in working low-income families ($7.55) is about half that for higher-income working families ($16.67). A similar pattern, at slightly lower levels, holds for single-adult families with children. This difference does not hold for work effort, however. Primary workers in working families across the board typically work full-time and year-round—that is, a bit more than 2,000 hours and 52 weeks a year.

While the work effort of primary earners does not differ by family income, working low-income families are less likely to have additional earners (table 4). Just more than 61 percent of all adults who are not primary earners in working low-income families work at all. In contrast, 85.7 percent of other adults in working higher-income families provide additional earnings for their families. Secondary workers in working low-income families work fewer hours than additional earners in working higher-income families (1,300 hours versus 1,924 hours). Not surprisingly, the median number of hours worked by all adults in working low-income families is 2,600 a year, compared with 3,873 for higher-income working families.

Job quality differences are also clear (table 4). Lower proportions of primary earners in working low-income families than in higher-income families work mostly during regular business hours (about 75 percent versus about 85 percent). Proportionately fewer have been with the same employer for a year or more (69 percent versus 86 percent), and proportionately fewer have health insurance through an employer (54 percent versus 85 to 89 percent).

Summary and Implications

One in six nonelderly Americans lives in a working low-income family—a family with income below twice the FPL in which all

Even if policies are successful in increasing work effort, many people will still live in working low-income families.

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adults work, on average, at least half-time. Almost two-thirds of persons in low-income families live in a household with children and at least two adults. The primary earners in these families typically work full-time, full-year.

The major differences between the incomes of working low-income families and those of higher-income families are substantially lower hourly earnings ($7.55 on average, compared with $16.67) plus fewer secondary workers and lower work effort among secondary workers.

If all prime-age adults worked full-time, full-year, according to rough simulations, about one-fifth of persons currently in working low-income families would work their way up to becoming higher-income families, and more than one-third of persons living in other low-income families would now live in working low-income families.[7] Thus, even if policies aimed at promoting work—such as child care and transportation assistance—are spectacularly successful in increasing work effort, many people will still live in working low-income families.

In the end, lifting working families above 200 percent of the poverty level will require better wages and work supports. The Earned Income Tax Credit helps working low-income families, but phases out as families approach the upper boundary of the "low-income" category. On its own, a higher minimum wage would move few working families from low-income to higher-income status, because the median primary earner in a low-income working family already earns $7.55 an hour.[8] Expanded credits, or higher wages through better education and skills, must be the path to greater economic security for America's low-income workers and their families.

Endnotes

1. The NSAF provides information on a nationally representative sample of the civilian, noninstitutionalized population under age 65 and their families; it also provides state-representative data for 13 states. For more information and the survey methods and data reliability, see Dean Brick et al. (1999).

2. We use the poverty thresholds for 1999.

3. Prime-age adults are between the ages of 25 and 54; able-bodied adults report no work-limiting physical, mental, or other health condition.

4. Requiring, for example, 1,000 hours a year for a one-adult family and 2,000 hours for a two-adult family enables a single work-effort measure to be appropriate for families with different numbers of potential workers.

5. Expressing family income in terms of the official poverty level adjusts for family size differences.

6. Pearce and Brooks (1999). More generally, there is considerable debate about the weaknesses of the federal poverty level as currently defined. See Ruggles (1990) and National Research Council (1995).

7. For details, see Acs, Ross Phillips, and McKenzie (2000).

8. Increasing the minimum wage to $6.15 an hour could raise the incomes of low-income workers; however, it is important to note that the average primary earner in a working low-income family already earns $7.55 an hour. When we simulate the impact of an increase in the minimum wage, we find that the share of persons living in working low-income families would decline from 16.7 to 16.2 percent (see Acs et al. [2000]).

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